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UNITED STATES DISTRICT COURT

SOUTHERN DISTRICT OF CALIFORNIA

GEN-PROBE, INCORPORATED,

Plaintiff,

v.

VYSIS, INC.,

Defendant.

Case No.: 99CV 2668H (AJB)

CERTIFICATE OF SERVICE

CERTIFICATE OF SERVICE

I, the undersigned, declare under penalty of perjury that I am over the age of eighteen years and not a party to this action; my business address is 4665 Park Blvd., San Diego, California 92116; and that I served the below-named persons the following documents:

VYSIS' REPLY MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT OF VYSIS' MOTION FOR ENTRY OF FINAL JUDGMENT UNDER RULE 54(b)

DECLARATION OF THOMAS W. BANKS IN SUPPORT OF VYSIS' REPLY MEMORANDUM IN SUPPORT OF VYSIS' REPLY MEMORANDUM IN SUPPORT OF ITS MOTION FOR ENTRY OF FINAL JUDGMENT UNDER RULE 54(b)

NOTICE OF LODGMENT OF CASE AUTHORITY NOT IN OFFICIAL REPORTER SYSTEM IN SUPPORT OF VYSIS' REPLY MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT OF VYSIS' MOTION FOR ENTRY OF FINAL JUDGMENT UNDER RULE 54 (b)

in the following manner:

1. X By personally delivering copies to the person served.

2. _____ By leaving, during usual office hours, copies in the office of the person served with the person who apparently was in charge and thereafter mailing (by first-class mail, postage prepaid) copies to the person served at the place where the copies were left.

3. _____ By leaving copies at the dwelling house, usual place of abode, or usual place of business of the person served in the presence of a competent member of the household or a person apparently in charge of his office or place of business, at least 18 years of age, who was informed of the general nature of the papers, and thereafter mailing (by first-class mail, postage prepaid) copies to the person served at the place where the copies were left.

4. _____ By placing a copy in a separate envelope, with postage fully prepaid, for each address named below and depositing each in the U.S. Mail at San Diego California on July 13, 2001.

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Executed on July 13, 2001, at San Diego, California.

DIVERSIFIED LEGAL SERVICES, INC.

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v.

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CASE NO. 99CV 2668H (AJB)

VYSIS' REPLY MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT OF VYSIS' MOTION FOR ENTRY OF FINAL JUDGMENT UNDER RULE 54(b)

Date: July 30, 2001
Time: 10:30 a.m.
Dept.: Courtroom 1

I. Entry of Judgment Under Rule 54(b) Will Expedite Final Resolution of Gen-Probe's Obligation to Pay Royalties

Gen-Probe's opposition is predicated primarily on an asserted desire for a rapid, final judicial determination of its obligation to pay royalties under the '338 patent license agreement with Vysis. Yet, the fastest way to secure such a resolution is to enter final judgment under Rule 54(b), Fed. R. Civ. P., on the infringement issue (Count I of the Second Amended Complaint) so that immediate appellate review may be had of this Court's construction of the '338 patent claims. That construction, if ultimately affirmed, is dispositive of Gen-Probe's obligation to pay royalties. If the claim construction urged upon this Court by Gen-Probe is correct, then every day that Gen-Probe delays appellate review of that determination is an added day that Gen-Probe must wait for ultimate judicial resolution of its royalty obligation.

More significantly, the claim construction ruling is also central to proper discovery and trial of the patent validity issues Gen-Probe now says it also wants to try. Gen-Probe has already limited its discovery responses based on the Court's narrow construction of the '338 patent, which will require additional discovery and trial if that claim construction is reversed (see Section III.A., *infra*). Indeed, if Vysis were to prevail on the issue of the validity of the '338 patent claims as narrowly construed by the Court, Gen-Probe would insist on retrying the validity issue if the claims are construed more broadly (as Vysis contends they should be) on appeal. Thus, the high likelihood is that, if the claim construction Gen-Probe has urged upon the Court is wrong, all of the discovery and trial activity undertaken in this Court in reliance on that claim construction would have to be redone, which would undoubtedly be followed by yet a second appeal.

Preparation of this case for trial, the trial itself, and resolution of post-trial motions in this case could not realistically be completed in less than nine months. That nine months of work will either be unnecessary if Gen-Probe's claim construction is correct or wasted if Gen-Probe's claim

construction is incorrect. Either way, delaying appeal of the infringement issue will *delay* ultimate judicial resolution of Gen-Probe's royalty obligations by at least nine months.[1]

II. Gen-Probe Has Misstated the Law Concerning Rule 54(b)

Gen-Probe's opposition brief misstates and misapplies the law relating to entry of final judgment under Rule 54(b). Contrary to Gen-Probe's suggestion, Vysis need not establish the existence of any "serious or irreparable consequences" to justify its Rule 54(b) motion. Gen-Probe's opposition asserts that

> The Federal Circuit has made clear that a trial court should deny a request for certification under Rule 54(b) where the moving party "has failed to disclose any 'serious, perhaps irreparable, consequence' flowing from the partial summary judgment and denial of [it's {sic}] Rule 54(b) motion." *Chaparral Communications, Inc. v. Boman Indus., Inc.*, 798 F.2d 456 (1986) *quoting Carson v. American Brands, Inc.*, 450 U.S. 79, 84 (1981).

Gen-Probe Opposition ("G-P Opp.") at 4.

That statement is flatly wrong. The Federal Circuit made no such pronouncement with respect to Rule 54(b) in the *Chaparral* case. In *Chaparral*, the district court had granted partial summary judgment against the appellant and denied its motion for entry of final judgment under Rule 54(b). The appellant then sought an appeal of that interlocutory decision to the Federal Circuit under 28 U.S.C. § 1292(a), arguing that the district court's grant of partial summary judgment against it had the effect of denying its request for injunctive relief. *Chaparral*, 798 F.2d 456, 457. It was in the context of determining the showing needed to take an interlocutory appeal under § 1292(a)(1), which by definition did *not* involve final disposition of an entire claim, that the Federal Circuit referred to the appellee's failure to disclose a "serious, perhaps irreparable, consequence" flowing from the district court's rulings. *Id.* at 458. *Chaparral* addressed the showing required for taking interlocutory appeals under *§ 1292(a)* – and most certainly did *not* address any standard

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[1] Gen-Probe overestimates the amount of time an appeal to the Federal Circuit would require. This case presents a pure question of law based on an abbreviated written record and not a series of complex, disputed factual issues resolved following trial on the merits. A more realistic estimate for resolution of this case is twelve months. *See AFG Indus., Inc. v. Cardinal IG Co.*, 239 F.3d 1239 (continued...)

required for granting motions for entry of final judgment under Rule 54(b). *Accord Woodard v. Sage Prods., Inc*, 818 F.2d 841, 855 (Fed. Cir. 1987) (en banc) (explaining holding of *Chaparral*).

Gen-Probe's reliance on *Sure-Safe v. C&R Pier Mfg.*, 851 F.2d 1469 (S.D. Cal. 1993), and *Lockwood v. American Airlines*, 1993 U.S. Dist. LEXIS 19768 (S.D. Cal. 1993), is misplaced for the same reason. In denying a motion for entry of final judgment under Rule 54(b), the trial court in *Sure-Safe* misread *Chaparral* in the same way Gen-Probe has, quoting the same "serious, perhaps irreparable, consequence" language. Thus, denial of the Rule 54(b) motion in *Sure-Safe* was based on the wrong legal standard. The *Lockwood* opinion issued by the same court just six weeks later was also undoubtedly affected by this improper standard.

Not only does Gen-Probe misapply the Federal Circuit *Chaparral* case, it also cites language from a Ninth Circuit case that has been subsequently rejected.[2] Gen-Probe cites *Morrison-Knudsen Co. v. J.D. Archer*, 655 F.2d 962, 965 (9th Cir. 1981), for the proposition that judgments under Rule 54(b) must be reserved for the "unusual case." Yet, *Morrison-Knudsen* has been repudiated by a subsequent Ninth Circuit panel as "an outdated and overly restrictive view of the appropriateness of Rule 54(b) certification." *Texaco, Inc. v. Ponsoldt*, 939 F.2d 794, 798 (9th Cir. 1991). In this regard, the trial court in *Lockwood* apparently also relied on the repudiated language of the *Morrison-Knudsen* case in holding that the movant had not made a showing that his case was "unusual." The *Lockwood* court cited *Frank Briscoe Co. v. Morrison-Knudsen Co.*, 776 F.2d 1414, 1416 (9th Cir. 1985), in support of the proposition that Rule 54(b) must be reserved for the "unusual case." *Lockwood*, 1993 U.S. Dist. LEXIS 19768 at *2. *Frank Briscoe*, in turn, adopted its "unusual case"

(...continued)
(Fed. Cir. Feb. 6, 2001) (vacating Feb. 25, 2000 district court summary judgment of noninfringement because of error in claim construction).

[2] Gen-Probe asserts that Ninth Circuit precedent controls here (G-P Opp. at 4 n.4), but the proper choice of law is unclear. *See W.L. Gore & Assocs., Inc. v. Int'l Medical Prosthetics Research Assocs., Inc.*, 975 F.2d 858, 860-61 (Fed. Cir. 1992) (affirming district court's entry of judgment under Rule 54(b) but declining to resolve question of which circuit's law governs the Rule 54(b) issue, and noting that "the Supreme Court has provided adequate guidance to resolve the issues presented .... To the extent Supreme Court precedent does not address each subissue and where neither Ninth Circuit nor Federal Circuit case law provides any guidance, we look to the law of all circuits equally for persuasive reasoning.").

language from the Ninth Circuit's 1981 *Morrison-Knudsen* case – the same case that was later repudiated by *Texaco*.

The Supreme Court has also rejected the notion that entry of judgment under Rule 54(b) can only be granted in the "infrequent harsh case." *Curtiss-Wright Corp. v. General Elec. Co.*, 446 U.S. 1, 10. In addition, *Angoss II Partnership v. Trifox, Inc.*, 2000 WL 288435 (N.D. Cal. 2000), a case cited in Gen-Probe's opposition, rejects the notion that a showing of substantial hardship is required to justify a Rule 54(b) judgment.

As discussed in Vysis' opening memorandum, entry of final judgment under Rule 54(b) is appropriate where there is no just reason for delay. *Texaco* indicates that Rule 54(b) certification is proper if it will aid "expeditious decision" of the case. 939 F.2d at 797. As shown in detail both here and in Vysis' opening memorandum, immediate appeal of this Court's claim construction to the Federal Circuit will result in the most expeditious resolution of the case. Indeed, even if a showing of unusual or serious consequences were required to justify entry of judgment under Rule 54(b), the burden Gen-Probe would impose upon Vysis and this Court to engage in nine months of unnecessary or wasted district court litigation certainly meets that standard.

III. The Court's Summary Judgment is Dispositive of Count I

Gen-Probe acknowledges that its Count I for non-infringement will be finally adjudicated if Vysis concedes non-infringement under the doctrine of equivalents.[3] To assure that the Court's summary judgment order is dispositive of Count I, Vysis hereby stipulates that, if the Court enters final judgment under Rule 54(b), it will not (and could not because it would be barred by that final judgment) assert that Gen-Probe's HIV/HCV test infringes the existing claims of the '338 patent under the doctrine of equivalents unless the trial court's construction is reversed, altered, or modified. Should the Federal Circuit affirm the Court's claim construction, Vysis will not later

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[3] The parties apparently disagree over whether the Court's summary judgment ruling is dispositive of Count III of Gen-Probe's Second Amended Complaint. Because final adjudication of one count is sufficient for entry of final judgment pursuant to Rule 54(b), Vysis will not further address the finality of Count III in this memorandum, other than to reiterate its belief that the Court's summary judgment motion necessarily resolves the issues raised in that Count.

assert that Gen-Probe's HIV/HCV test kits infringe the existing claims of the '338 patent under the doctrine of equivalents.[4] Accordingly, Vysis' concession avoids the difficulties posed by the "uncertain" concession noted by Gen-Probe and criticized by the Federal Circuit in *CAE Screenplates Inc. v. Heinrichfielder GmbH & Co.*, 224 F.3d 1308, 1315 (Fed. Cir. 2000), in which the party seeking appeal "explicitly reserved its right to challenge infringement in the future should [the Federal Circuit] affirm the district court's construction." *Id.*

IV. There is No Reason to Proceed with Litigating Gen-Probe's Remaining Counts

A. Claim Construction Affects All Aspects of This Case

In its opposition memorandum, Gen-Probe asserts that its anticipation and obviousness theories do not depend on the Court's summary judgment determination. (G-P Opp. at 8.) That statement is simply wrong. As discussed in Vysis' opening memorandum, questions of anticipation and obviousness must be resolved with reference to the *claimed* invention, and the claims of the '338 patent must be properly construed before anticipation or obviousness can be determined.[5] Moreover, Gen-Probe has already indicated that it will use the Court's narrow claim construction to limit its responses to Vysis' discovery requests. In recent responses to Vysis' interrogatories, Gen-Probe objected to those interrogatories as seeking "information that is not relevant to the subject matter of this lawsuit" in view of the Court's summary judgment of noninfringement and its claim construction. See Gen-Probe's Objection and Response to Vysis' Interrogatory No. 10 (Exhibit ("Ex.") A to the Declaration of Thomas W. Banks in Support of Vysis' Reply Memorandum ("Banks Decl.").

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[4] Should this Court deny Vysis' motion for Rule 54(b) final judgment, however, Vysis reserves the right to proceed with a doctrine of equivalents theory during later proceedings on the infringement count.

[5] Gen-Probe also asserts that its nonenablement theory under 35 U.S.C. § 112 is independent of the Court's claim construction. (G-P Opp. at 8.) Yet in that very sentence, Gen-Probe states that "the '338 patent is invalid by reason of the inventors' failure to 'enable' the practice of the *claimed* invention as required by 35 U.S.C. § 112." *Id.* (emphasis added). Clearly, proper construction of the claims is a necessary predicate for resolving that issue, just as it is for resolving anticipation and obviousness. Moreover, resolution of Gen-Probe's unfair competition count also depends on proper (continued...)

C. The Court is Not Obligated to Try the Validity Issues

Gen-Probe's protestations concerning the need to resolve the validity of the '338 patent ring hollow. As discussed above, if the Federal Circuit affirms this Court's claim construction, the validity or enforceability of the '338 patent will have no bearing on Gen-Probe's obligations under the '338 license.

Though Gen-Probe suggests that the Court is required to address the validity issues it has raised, it is well settled that it is within the Court's discretion to refrain from deciding validity issues after it has made a finding of noninfringement. *See, e.g., Phonometrics, Inc. v. Northern Telecom Inc.*, 133 F.3d 1459, 1468 (Fed. Cir. 1998) (upholding district court's dismissal as moot of a counterclaim of invalidity and unenforceability in light of its grant of summary judgment of noninfringement and noting that "The Supreme Court's decision in *Cardinal Chemical Co. v. Morton International* [508 U.S. 83 (1993)] does not preclude this discretionary action by the district court"); *Child Craft Industries Inc. v. Simmons Juvenile Prods. Co.*, 990 F. Supp. 638 (S.D. Ind. 1998) ("the Court grants Plaintiff's request for declaratory judgment of noninfringement, [and] denies as moot Plaintiff's claim of invalidity of the patent"); *Signtech USA Ltd. v. Vutek Inc.*, 44 U.S.P.Q.2d 1741, 1747 (W.D. Tex. 1997) ("Having found that plaintiff has failed to show that either of defendant's devices infringe . . . , it is unnecessary to consider the invalidity and unenforceability arguments advanced by defendant."); *accord Durel Corp. v. Osram Sylvania Inc.*, 2001 U.S. App. LEXIS 14275, *25 (Fed. Cir. June 27, 2001) (refusing to remand case to district court for consideration of validity after affirming holding of noninfringement, noting that "Remand to consider the validity of a patent that we have held not to be infringed would be a poor use of judicial resources.").

Though Vysis has already identified the faulty legal bases of the decisions in *Sure-Safe* and *Lockwood*, those decisions also were based on an erroneous interpretation of Supreme Court precedent. Both *Sure-Safe* and *Lockwood* were rendered within a few months after the Supreme Court's *Cardinal Chemical* opinion was issued, and that opinion apparently heavily influenced the court's decision to try the validity issues even though it had already ruled that the defendants did not infringe the plaintiff's patents. *See Lockwood*, 1993 U.S. Dist. LEXIS 19768 at *3-4 (citing *Cardinal Chemical* as "effectively disposing" of plaintiff's arguments for Rule 54(b) certification);

Sure-Safe Indus., Inc. v. C&R Pier Mfg., 832 F. Supp. 293, 294 (S.D. Cal. 1993) (identifying *Cardinal Chemical* as the basis for ruling on validity issues). The court apparently viewed *Cardinal Chemical* as controlling, and on that basis proceeded to consider the validity issues of those cases. As discussed above, however, the more recent view of the Federal Circuit as well as various district courts is that *Cardinal Chemical* does *not* require trial of validity issues whenever noninfringement has been determined. Indeed, other courts have properly understood *Cardinal Chemical* as only preventing the Federal Circuit from vacating *existing* district court holdings of invalidity simply because a concurrent finding of noninfringement was affirmed. *See Phonometrics,* 133 F.3d 1459, 1468 ("*Cardinal Chemical* simply prohibits us, as an intermediate appellate court, from vacating a judgment of invalidity when we conclude that a patent has not been infringed, and therefore has no bearing on the district court's actions in this case.").

V. Conclusion

Vysis' motion is a plea for a common-sense approach to concluding this litigation. If we must try a series of complex patent validity and enforceability issues, let us try only those issues that truly need to be tried and let us try them only once!

Nothing in Gen-Probe's opposition blunts the logical force of that request. Indeed, it is the compelling logic of this procedure that leads trial courts routinely to grant entry of final judgment pursuant to Rule 54(b) in patent cases. *See, e.g., Bernard Dalsin Mfg. v. RMR Prods., Inc.*, 2001 U.S. App. LEXIS 8888 (Fed. Cir. May 7, 2001) (noting that after granting summary judgment of noninfringement, district court entered final judgment under Rule 54(b) and stayed further proceedings pending appeal);[7] *Desper Prods., Inc. v. QSound Labs, Inc.*, 157 F.3d 1325 (Fed. Cir. 1998) (noting that district court entered final judgment under Rule 54(b) after granting summary judgment of noninfringement); *Dethmers Mfg. Co. v. Automatic Equipment Mfg. Co.*, 189 F.R.D.

[7] Vysis cites this nonprecedential Federal Circuit opinion only for its historical report of the district court's actions in an apparently unpublished order, and not as appellate precedent.

526 (N.D. Iowa 1999) (entering judgment under Rule 54(b) after granting summary judgment on patent issues); *Dap Prods., Inc. v. Sashco, Inc.*, 1996 U.S. Dist. LEXIS 22529 (S.D. Ohio 1996) (entering judgment under Rule 54(b) on issue of infringement); *Dixie USA Inc. v. Infab Corp.*, 16 U.S.P.Q.2d 1392 (C.D. Cal. 1990), *aff'd* 927 F.2d 584 (Fed. Cir. 1991) (entering judgment under Rule 54(b) after granting summary judgment of noninfringement); *Allen-Bradley Co. v. Autotech Corp.*, 1989 U.S. Dist. LEXIS 6621 (N.D. Ill. 1989) (entering judgment under Rule 54(b) after granting summary judgment of infringement).

Accordingly, for the reasons set forth above and in Vysis' opening brief, Vysis' motion should be granted.

Dated: July 13, 2001

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